

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2022

Docket No. ACR2022

CHAIRMAN'S INFORMATION REQUEST NO. 4
AND NOTICE OF FILING UNDER SEAL

(Issued January 13, 2023)

To clarify the basis of the Postal Service's FY 2022 *Annual Compliance Report* (ACR), filed December 29, 2022,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 20, 2023.

Competitive International Products

1. Please refer to the discussion in the FY 2022 ACR regarding International Competitive Products' failure to cover attributable costs. FY 2022 ACR at 93.
 - a. Please provide a plan to improve the cost coverage of Inbound Competitive International Registered Mail to a compensatory level. The Postal Service should detail all specific actions it is taking or plans to take to reduce Inbound Competitive International Registered Mail volume-variable costs, as well as any revenue generating strategy beyond scheduled calendar year increases² and the Postal Service's participation in the voluntary supplementary remuneration for inbound registered

¹ United States Postal Service FY 2022 *Annual Compliance Report*, December 29, 2022 (FY 2022 ACR).

² FY 2022 ACR at 94 (citing Universal Postal Convention and its Final Protocol – adopted at the Abidjan 2021 Congress, Article 28, paragraph 8, available at <https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/03-actsConventionAndFinalProtocol/conventionAndFinalProtocolAdoptedAtAbidjanEn.pdf>).

items.³ The Postal Service should also detail any plans to improve volume-variable cost allocation between Inbound Competitive International Registered Mail and other agreements for which revenue for inbound registered items is reported.

- b. Please discuss whether the scheduled calendar year Universal Postal Union (UPU) rate increases, which the Postal Service states “should help to improve cost coverage” for Inbound Competitive International Registered Mail, would be sufficient to mitigate any future increases in costs that may occur, similar to increases in costs seen in FY 2022. FY 2022 ACR at 93-94.
 - c. The Postal Service states that “the Inbound Competitive PRIME Registered Service Agreement 1 multilateral agreement, which was also transferred to the Competitive product list, and the Inbound Competitive PRIME-USPS Registered Service Agreement multilateral agreement create additional separate sources of positive contribution associated with Inbound Registered Mail from those countries that exchange items under those agreements.” FY 2022 ACR at 94 (footnotes omitted). Please discuss the bearing this has, if any, on the cost coverage of Inbound Competitive International Registered Mail, which is a separate product.
2. Please refer to Library Reference USPS-FY22-NP2, Excel file “Inputs.xlsm” (FY 2022 Inputs file), tab “UPU Rates CY1.” Please confirm that the source of these rates is International Bureau (IB) Circular 148, Final 2021 Quality-Linked Terminal Dues Rates, September 19, 2022. If confirmed, please explain why the rates in these cells do not match those in IB Circular 148 and refile as necessary.

³ See FY 2022 ACR at 94. See also Docket No. ACR2020, Fourth Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2020 Annual Compliance Determination, July 27, 2021, at 6; Docket No. ACR2020, Library Reference USPS-FY20-NP52, July 27, 2021.

If not confirmed, please identify the appropriate IB Circular supporting these rates.

3. Please see Attachment, filed under seal.
4. Please see Attachment, filed under seal.

Domestic Competitive Products

5. Please see Attachment, filed under seal.
6. Please see Attachment, filed under seal.
7. Please see Attachment, filed under seal.
8. Please see Attachment, filed under seal.
9. Please see Attachment, filed under seal.
10. Please see Attachment, filed under seal.
11. Please see Attachment, filed under seal.

Market Dominant Non-Postal Products

12. Philatelic Sales has a reported revenue of \$7,403,865 and a reported cost of \$7,545,109 in Fiscal Year (FY) 2022, representing a cost coverage of 98 percent. FY 2022 ACR at 102. Please describe in detail why the cost coverage for Philatelic Sales fell below 100 percent in FY 2022. Please include in the response any plans the Postal Service has to improve cost coverage for this product in FY 2023.

Workshare Discounts

13. Please refer to Library Reference USPS-FY22-3, December 29, 2022, Excel file "FY22.3 WorksharingTables.xlsx," tab "Media Mail & Library Mail." Please confirm that the avoided costs on all other tabs are rounded to three decimal places. If confirmed, for consistency, please provide an updated Excel file with

the avoided costs in cells G10, G11, G18, and G19 rounded to three decimal places (using the Excel "ROUND" formula). If not confirmed, please explain.

14. Please refer to Library Reference USPS-FY22-3, Excel file "FY22.3 WorksharingTables.xlsx," tab "Bound Printed Matter Parcels." Please confirm that the avoided costs on all other tabs are rounded to three decimal places. If confirmed, for consistency, please provide an updated Excel file with the avoided cost in cell G22 rounded to three decimal places (using the Excel "ROUND" formula). If not confirmed, please explain.
15. Please refer to Library Reference USPS-FY22-3, Excel file "FY22.3 WorksharingTables.xlsx," tab "Bound Printed Matter Flats." Please confirm that the avoided cost for Carrier Route Flats in cell G8 should be \$0.169.⁴ If confirmed, please provide an updated Excel file. If not confirmed, please explain.
16. Please refer to Library Reference USPS-FY22-3, December 29, 2022, Excel file "FY22.3 WorksharingTables.xlsx," tab "Marketing Mail Prcls&Mkt Prcls." Note 2 (at cell C32) identifies the source of "Parcels Presorting Cost Differences" as "Docket No. ACR2022, USPS-FY22-12.xlsx, Tab: MP Summary."

Please also refer to Library Reference USPS-FY22-12, December 29, 2022, Excel file "USPS-FY22-12.xlsx," and see attachment hereto "Attachment to Q16 of CHIR No. 4.xlsx," which replicates column A through column H of Library Reference USPS-FY22-3, Excel file "FY22-3 WorksharingTables.xlsx," tab "Marketing Mail Prcls&Mkt Prcls," adds avoided cost formula inputs from Library Reference USPS-FY22-12, Excel file "USPS-FY22-12.xlsx," tab "MP Summary," and recalculates avoided costs and passthroughs.

⁴ See, e.g., Library Reference USPS-FY22-15, December 29, 2022, Excel file "USPS-FY22-15.BPM.xlsx," tab "Summary," cell C8.

- a. Please confirm that the mail processing avoided costs in cells G7, G8, G10, G11, G12, G15, G16, G21, G22, G23, and G26 of Library Reference USPS-FY22-3, Excel file "FY22-3 WorksharingTables.xlsx," tab "Marketing Mail Prcls&Mkt Prcls" reflect the applicable source mail processing avoided cost inputs in Library Reference USPS-FY22-12, Excel file "USPS-FY22-12.xlsx," tab "MP Summary," column E (Adjusted Unit Cost) only to the second decimal place and differ at the third decimal place and beyond.
 - i. If confirmed, please explain and submit revised versions of any affected library reference(s) as necessary.
 - ii. If not confirmed, please reconcile the differences in avoided costs and passthroughs as reflected in Excel file "Attachment to Q16 of CHIR No. 4.xlsx" hereto in column L and column M (respectively) and in Library Reference USPS-FY22-3, Excel file "FY22-3 WorksharingTables.xlsx," tab "Marketing Mail Prcls&Mkt Prcls," columns G and H.

USPS Marketing Mail

17. Please refer to Library Reference USPS-FY22-4, December 29, 2022, Excel file "FY2022 USPS Marketing Mail BD - Public ACR.xlsx," tabs "C2-2 ECR Flats" and "C4-2 NP ECR Flats." Under tab "C2-2 ECR Flats," the summary rows at cells A52 and A65 are labeled "High Density Flats on Pure Pallets" and "Total High Density Plus Flats," respectively. Under tab "C4-2 NP ECR Flats," the summary rows at cells A52 and A65 are labeled "Pure High Density Flats" and "High Density Flats on Pure Pallets," respectively. Please provide an updated Excel file with consistent summary row labels for the cells under tabs "C2-2 ECR Flats" and "C4-2 NP ECR Flats."

Customer Access

18. The following concerns self-service kiosks (SSKs).
 - a. Please provide the total number of SSKs in operation at the end of FY 2022.
 - b. Please provide the number of SSKs that were in operation at the end of FY 2022 by Retail and Delivery Operations area: Western-Pacific, Southern, Central, and Atlantic.
 - c. In the FY 2022 ACR, the Postal Service states it relocated 72 SSKs in FY 2022 “to promote efficiency.” FY 2022 ACR at 86.
 - i. Please provide quantitative support for this statement and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please explain why it is unavailable and provide qualitative analysis in support of the statement.
 - ii. Of the 72 SSKs relocated, please provide the number of SSKs that moved to a different Retail and Delivery Operations area.
 - d. The Postal Service states it “plans to add 24 new [SSKs] in FY 2023.” *Id.* Please describe any other plan(s) for adding, removing, or relocating SSKs during FY 2023.
19. The following requests pertain to collection boxes.
 - a. Please provide the number of collection boxes removed during FY 2022.⁵
 - b. Please provide the number of collection boxes added to new locations during FY 2022.⁶

⁵ 39 C.F.R. § 3055.91(c)(3).

⁶ 39 C.F.R. § 3055.91(c)(4).

20. Please provide the proportion of collection boxes for which the last mail pickup time is:
 - a. Midnight to 11:59 a.m.
 - b. Noon to 2:59 p.m.
 - c. 3 p.m. to 4:59 p.m.
 - d. 5 p.m. to 6:59 p.m.
 - e. 7 p.m. to 11:59 p.m.
 - f. For each response in question 20.a. through 20.e., please provide the proportions for Monday-Friday and Saturday-Sunday separately, if applicable.
21. Please provide a table detailing the following information regarding Village Post Offices (VPOs):
 - a. The number of VPOs at the beginning of FY 2022.
 - b. The number of VPOs opened in FY 2022.
 - c. The number of VPOs closed in FY 2022.
 - d. The number of VPOs at the end of FY 2022.
 - e. If the Postal Service's responses to this question differ from the numbers provided in response to question 24, below, please reconcile any discrepancies.
22. Please provide a table detailing the following information regarding community Post Offices (CPOs):
 - a. The number of CPOs at the beginning of FY 2022.
 - b. The number of CPOs opened in FY 2022.
 - c. The number of CPOs closed in FY 2022.

- d. The number of CPOs at the end of FY 2022.
 - e. If the Postal Service's responses to this question differ from the numbers provided in response to question 24, below, please reconcile any discrepancies.
23. Please provide a table detailing the following information regarding contract postal units (CPUs):
- a. The number of CPUs at the beginning of FY 2022.
 - b. The number of CPUs opened in FY 2022.
 - c. The number of CPUs closed in FY 2022.
 - d. The number of CPUs at the end of FY 2022.
 - e. If the Postal Service's responses to this question differ from the numbers provided in response to question 24, below, please reconcile any discrepancies.
24. Please fill in the table below in accordance with the Postal Service's records for FY 2020, FY 2021, and FY 2022. If the numbers provided in the table differ from those listed in the FY 2021 *Annual Compliance Determination*, FY 2022 ACR, Library Reference USPS-FY22-33, FY 2022 *Annual Report to Congress*, or responses to this Chairman's Information Request (CHIR), please reconcile any discrepancies among these sources.⁷

⁷ Compare FY 2022 ACR at 84 (1,667 CPUs), with Library Reference USPS-FY22-17, December 29, 2022, folder "USPS-FY22-17," folder "FY22.17.Annual.Report," file "FY 2022 Annual Report to Congress.pdf," at 28 (1,665 CPUs).

Facility Type	FY 2020	FY 2021	FY 2022
Post Offices			
Classified Stations & Branches and Carrier Annexes			
Total Postal-Managed			
Contract Postal Units			
Village Post Offices			
Community Post Offices			
Total Non-Postal-Managed			
Total Retail Facilities			

25. In Docket No. ACR2021, the Postal Service filed a Retail Revenue by Channel table.⁸ Please provide an updated table with columns showing FY 2021 Revenue, FY 2022 Revenue, and Percent Change from FY 2021.
26. Please refer to the Postal Service's discussion of wait time in line and measures for continued time reduction. FY 2022 ACR at 85-87. Additionally, please refer to the Postal Service's discussion of strategies designed to improve wait time in line in Docket No. ACR2021 Response to CHIR No. 13. Docket No. ACR2021, Response to CHIR No. 13, question 6.
- a. Please identify which strategies or measures were most effective in reducing wait time in line, and explain why they were effective. Please provide quantitative support for this efficacy assessment and identify the metric(s) used. If quantitative support is unavailable for an identified efficacy assessment, please explain why it is unavailable and provide qualitative analysis in support of the statement.

⁸ Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-18 of Chairman's Information Request No. 13, February 17, 2022, question 3 (Docket No. ACR2021, Response to CHIR No. 13).

- b. Please identify which strategies or measures were least effective in reducing wait time in line, and explain why they were ineffective. Please provide quantitative support for this efficacy assessment and identify the metric(s) used. If quantitative support is unavailable for an identified efficacy assessment, please explain why it is unavailable and provide qualitative analysis in support of the statement.
- c. Please explain what a “Retail Gemba assessment” would entail and how this assessment will reduce wait time in line. Please provide quantitative support for this efficacy assessment and identify the metric(s) used. If quantitative support is unavailable for an identified efficacy assessment, please explain why it is unavailable and provide qualitative analysis in support of the statement.
- d. The Postal Service states it will deploy Rapid Drop-off Stations to expedite Label Broker pre-paid parcel acceptance transactions. FY 2022 ACR at 86. It notes it plans to add to expand Rapid Drop-off Stations in FY 2023.
Id.
 - i. Please provide the number of Rapid Drop-off Stations deployed as of the end of FY 2022.
 - ii. Please describe in detail the Postal Service’s plans to expand Rapid Drop-off Stations in FY 2023. In the response, please provide the Postal Service’s target number for deploying Rapid Drop-off Stations by the end of FY 2023.

For the following questions, if the Postal Service chooses to respond using a graphical or tabular representation of data, please file the underlying data in the form of an Excel spreadsheet. Such spreadsheets shall preserve all data links and show all formulas used, including volumes and other weighting factors.

Service Performance

27. Please refer to Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-15 of Chairman's Information Request No. 6, February 1, 2022, question 5, in which the Postal Service provided delayed inventory data, by number of pieces, for FY 2021.
- a. Please provide updated delayed inventory data, by month, for FY 2022.
 - b. Please describe in detail the reasons for any significant change in the amount of delayed inventory between FY 2021 and FY 2022.
 - c. For each reason identified in response to part b. of this question, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified reason, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified reason.
28. Please refer to Library Reference USPS-FY22-29, December 29, 2022, Excel file "FY22 Marketing Mail Root Cause.xlsx," column F, in which the Postal Service identifies one of the root causes as "StartTheClockToOGDelay." Please define "StartTheClockToOGDelay."

By the Chairman.

Michael Kubayanda